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Chair

Mr. Pat Finnigan

Standing Committee on Agriculture and Agri-Food

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● (1535)

[*English*]

The Chair (Mr. Pat Finnigan (Miramichi—Grand Lake, Lib.)): Welcome to the Standing Committee on Agriculture and Agri-Food. We have a table of witnesses here with us today, but just before we go forward, I would like to share with the committee an email I received this morning that I think is important. We'll take it to the business session of the meeting. It reads as follows:

> On behalf of the Honourable, Lawrence MacAulay, PC, MP, Minister of Agriculture and Agri-Food, I would like to offer a briefing on the recent detection of genetically modified wheat in Alberta to the members of the Standing Committee on Agri-Food and Agriculture.
>
> Officials from the Canadian Food Inspection Agency and Agriculture and Agri-Food Canada will be made available to present an overview and answer questions from the committee.

I just wanted to let you know about this email. We received it at 11:50 this morning.

[*Translation*]

We will now turn to our witnesses.

[*English*]

I know the practice is always to have documents presented in both languages. We have one here that is in English only. There are a lot of slides in it. We would need consent. We have already sent it to translation and it will be distributed, but I will respect the committee's decision if it decides it wants to wait until copies in both languages are available.

Are there any comments?

[*Translation*]

What do you think, Mr. Poissant?

Mr. Jean-Claude Poissant (La Prairie, Lib.): Will we get the documents later?

The Chair: Yes, they have been sent to translation.

Are we all agreed?

[*English*]

Mr. Wallener, we're going with your documents.

[*Translation*]

Does anyone object?

This is not standard practice.

[*English*]

Mr. Pierre Breton (Shefford, Lib.): It's an exception.

The Chair: We're all good. We'll distribute them, and again, they have been sent to translation.

I'll introduce our witnesses.

From API Labs, we have Mr. Glen Metzler, chief executive officer, and Mr. Ryan Mercer, a board member. Welcome.

From EIO Diagnostics, we have Damir Wallener, chief executive officer. Welcome, Mr. Wallener.

From Maple Leaf Foods Inc., we have Mr. Rory McAlpine, senior vice-president, government and industry relations. Welcome.

Would you like to start, Mr. Wallener? You have up to seven minutes for your opening statement.

Mr. Damir Wallener (Chief Executive Officer, EIO Diagnostics): Thank you so much for indulging my presentation. This is my first time at a committee like this. I did not fully appreciate the procedural aspects, so thank you for that indulgence.

I am the founder and CEO of EIO Diagnostics, a company from the west coast, on Vancouver Island. We do early detection of illnesses in the udders of dairy animals, primarily mastitis. This is a $10-billion annual production loss for the global dairy industry.

What I think is interesting about our story is that we are now coming up on our 10-month anniversary as a company. We are very well funded through the private sector and we are engaged with large and small companies across the globe, essentially, at this point.

Turning to the slides, "2017: Origins" provides a little rundown on the timeline. The reason I'm sharing the timeline is that in my experience in building and starting companies, it is not always apparent to regulatory agencies where the actual challenges are in bootstrapping from nothing to an idea that generates jobs and exports.

Our story started in August with a proof of concept that was literally built on my kitchen table. The founders paid for that out of our own pockets, which is normal. Within one week of sharing a 90-second video of that proof of concept, we received an investment offer from an investment fund in the city of New York that specializes in food and ag tech. As part of that deal, they had us come to New York for three and a half months where, in addition to the investment, they opened up their network—particularly in CPG, consumer packaged goods, basically anything you buy in a grocery store that's not in the produce section—and introduced us to a whole series of investors in this space. That program was called Food-X.

At this point we still had no product and no revenue. It was just a proof of concept. In October we started our first commercial test at a dairy close to us on Vancouver Island, Balme Ayr Farm. At that point the Ministry of Agriculture in B.C. was kind enough to give us an innovation grant in the amount of $70,000.

I'm being particular about the numbers because it's important to the story. That $70,000—and we'll come back to this later—which is such a small amount in the big scheme of things, is the amount that kept EIO a Canadian company at that point. At that point we were already receiving additional investment offers from the U.S. The New York City Economic Development Corporation offered our entire founding team residency visas to move the company to New York. We received a long list of offers that we were able to push back on because we had a little bit of runway from our provincial government.

In November and December we made additional technological progress, and in December we had our coming-out party at a large event in New York, in Manhattan, hosted by Food-X. From there we developed all the relationships that we needed to get the company to the next level.

On the next slide there are some photos. The photo on the upper left shows our device in action at Gracemar Farms, a large dairy operation in the Fraser Valley.

We've also extended and are now working in Africa. In one of the images I am teaching a class to Namibian veterinary students, which I think is really funny because I just have a bachelor's degree and I'm not supposed to be teaching a university class anywhere.

As illustrated at the upper right, we were part of a survey to determine, as part of the social policy development in Namibia, how many of their dairy and meat goats are getting sick. Our tool is very portable, very inexpensive, and it goes out into the field. What isn't shown in that image is that shortly afterwards we ended up with heat stroke and dehydration. The whole thing was just a fantastic story that is too long to share in its entirety here.

At the bottom right is a photo of us in Kenya. The young woman holding the device is a veterinarian, recently graduated. After I showed her how this device is used to detect illnesses in animals, she immediately took it out of my hands and would not give it back at the end of the day unless we promised to come back. We are, in fact, going back in September, funded by both NGOs and by large and small producers in Kenya.

In 2018 the company has continued to grow. In Q2 we closed a substantial seed round.

● (1540)

Again I want to point out that we still did not actually have a product at this point. This was still more hope than reality. That is important, because every single one of our investment dollars was from the U.S. In our experience, Canadian private sector investors tend to be fairly risk-averse, while our international colleagues are risk-seeking.

At this point as well, we received our first federal assistance through NRC's IRAP, which is an absolutely fantastic program. We love this program. It, Mitacs, and a couple of the NSERC ones are fantastic. I cannot speak highly enough of them, and we are very grateful for that support. The IRAP support was instrumental to us while we were raising money to be able to push back and say yes, we will take your money, but no, we are not moving to Silicon Valley.

Later this year we will be actually at revenue and selling a product, but we have ongoing pilots with companies as large as Cargill, which is just a behemoth, down to individual farms in the western United States, which tend to be a little bit larger than Canadian farms.

In the next slide, at this point we are engaged on four separate continents, which is pretty amazing, because we're eight people at this point. Even that is kind of amazing, because in January we were two people, essentially unpaid. We were a start-up. We're in agriculture, but we're a tech start-up. Now we have eight people. Average salaries are basically six figures, so we are creating jobs and we are creating value. Investment dollars are flowing from the U.S. to our company and being spent in Canada. This is a good story.

We were lucky. It's not my first company, so I knew where some of the challenges would be. The next slide, with the big red box, indicates where a lot of other companies run into trouble. The real challenge for starting a business here is in that initial stage, in that $500 to $100,000 kind of investment. Most federal support and provincial support comes much later in the process, and by that point companies are already engaged overseas or in the U.S. and many of them have already moved.

The four pillars of being able to foster young companies are capital, talent, advisory services, and markets.

We're really good at the talent part. We produce many high-quality graduates in all the STEM fields. We're not very good at the capital side. It comes from the relatively risk-averse nature of Canadian investors, so most capital comes from outside the country. On markets, we're an exporting nation, so it's kind of built into our fabric to seek outside—

● (1545)

The Chair: You are a minute over, but you'll have a chance later. People will have the chance to question you, so if you can just—

Mr. Damir Wallener: The very last slide is just suggestions on a possible way to structure federal assistance to better seed young companies moving forward.

The Chair: Thank you very much, Mr. Wallener. That was very interesting.

Now we'll go to Maple Leaf Foods and Roy McAlpine, senior vice-president, government and industry relations.

[*Translation*]

Mr. Rory McAlpine (Senior Vice-President, Government and Industry Relations, Maple Leaf Foods Inc.): Thank you, Mr. Chair.

[*English*]

I appreciate the invitation to speak to you.

Your topics of innovation, competitiveness, and trade are very important to Maple Leaf. In fact, the viability of our business really lives in that interconnectedness between those topics every day.

I want to share a perspective, and it's rooted in perhaps three credentials, three facts, about our business recently.

The first is that in the past six years, Maple Leaf has invested more than $1.5 billion in capital upgrades for productivity and competitiveness gap closure in food processing in Canada. This is more investment than any other in our space, and it gives us a front-row seat to the challenges of the business case for investing in Canada.

In doing so, in fact, we bet the farm: we bet the equivalent of our market capitalization, which at the time was certainly more risk than most would take.

Second, though we're now looking at an additional $1 billion of investment in similar projects with similar objectives, unfortunately our board is struggling with this choice simply because the return on the Canadian investment can't offset the risk to the required capital. In this case it might be closer to 20% to 25% of our latest market capitalization. Of course, very few manufacturing companies in Canada are stepping up to that degree.

The third fact is that we have been involved in the government's agri-food economic strategy table, the food processing industry round table, and many other groups. In each of these groups we've achieved insight as to what other industry participants believe and what they're feeling in their businesses, and we are clearly in alignment with them. Our overarching observation is that productivity investments in this country, the ones that make a difference to our competitiveness, are really just a business case with a numerator, a denominator, and a risk profile. They are alternative uses to capital that our board has to weigh.

Let me be clear what they are not, in our experience.

They are not a function of corporate taxes, at least not until recently. Of course, there have been some changes south of the border on corporate taxes, but the evidence shows that perhaps not even now is that really an inhibiting factor.

They are not a willingness to take a well-calculated risk. As I mentioned, we are a good example of betting significant amounts of our market capitalization.

They're not a function of R and D spending or insights. In fact, we know precisely where the technology is around the world and we know how to apply it.

As well, they're not a talent issue. As my colleague said, we have great people with the skills to execute projects.

Our business case challenges continue to be rooted in the core fundamentals of that numerator and the denominator, i.e., the return on investment, as follows.

The first challenge is one of living in a sub-scale country. I say that while obviously recognizing that investments like this are scale equations. The latest technology in our industry is super-expensive capital, requiring large global-scale operations and market share to justify, and that's simply more challenging in a country of only 35 million people. Adding to this has been a Canadian history of an economic policy that often seeks to limit scale or perhaps equalize scale, other than in our primary resource sectors, where products are more easily exportable as commodities.

Second, construction costs are at least 25% higher in Canada. This is a hard reality. It's demonstrated repeatedly. Excess construction costs undermine the denominator relative to a similar investment in the United States in a material way. There are numerous drivers of this, and we could call on many operators of large-scale food operations on both sides of the border to corroborate this. We also work with U.S. construction and engineering firms that can explain why this is the case.

Third, the Canadian operating environment impairs performance of manufacturers of consumer packaged goods. This is a result of the cumulative effect of many factors, none of which moves the needle on its own, but all of which together make a clear difference. They include an uncompetitive regulatory environment with a gap that is widening recently; the effect of uncompetitive labour laws in some provinces, and not just minimum wage competitiveness; energy costs that are not in line with those in key U.S. jurisdictions; environmental requirements, which add relative cost; and a personal tax environment that makes it more challenging to attract top talent. Adding to this unfavourable environment is the investor anxiety around NAFTA at the moment.

● (1550)

Fourth, we note that U.S. jurisdictions are generally more willing to open their subsidy and tax wallets for large capital projects. While programs to attract investments certainly exist in Canada, our direct and rather frustrating experience is that the bias of federal and provincial governments is strongly in favour of foreign companies and disruptive innovation instead of scale plants—unless, of course, it's an auto plant—and applied technologies that are the first order of business for most manufacturing companies trying to close the competitiveness and productivity gap that I noted.

The program landscape is fragmented, confusing, and in our experience ill suited to mitigating the costs and risks that deter advanced food plant manufacturing investment in Canada.

In conclusion, I realize I may be disappointing the committee by challenging the assumption of your study that there's a direct line from innovation enabled by government strategies and programs and more aggressive corporate R and D to export growth for Canada's agrifood industry. From Maple Leaf's perspective as a long-established Canadian food manufacturing company, having a clear plan to address the drivers of the business case for investment would have more value than focusing on the elements that are at best incidental, such as, as I mentioned, corporate tax rates, innovation spending, or talent and skills acquisition.

For the Canadian food industry, solving this issue is vital to defending our home market share, let alone restoring our global market share, especially if the Canadian dollar returns to strength.

Thank you, and I welcome your questions.

The Chair: Thank you, Mr. McAlpine. Those were certainly very interesting comments.

We will now move to Mr. Ryan Mercer and Mr. Glen Metzler for whoever wants to do the presentation for up to seven minutes.

Mr. Glen Metzler (Chief Executive Officer, API Labs Inc.): I will be speaking, Mr. Chairman.

The Chair: Okay. Go ahead, Mr. Metzler.

Thank you.

Mr. Glen Metzler: Thank you, Mr. Chairman.

Honourable members of the committee, good afternoon. My name is Glen Metzler and I am the CEO of API Labs, a company based in Lethbridge, Alberta, whose bold mission is to establish a fully fledged commercial poppy industry for Canada. I'm joined by Mr. Ryan Mercer of Mercer Seeds. He is an Alberta farmer, past president of the Alberta Seed Growers Association, and a board member for API Labs.

Forty years ago the canola industry was non-existent in Canada. Through Canadian innovation, we are now responsible for 25% of all farm gate sales and contribute nearly $27 billion to the Canadian economy. We would like to repeat this success with new crops like poppy seed production in Canada. This would offer diversification to the existing crop rotation, create export and economic opportunities, and further our collective mission to lead the world in agricultural practice. Here is how.

As a food crop, the value of poppy resides in the oil-rich seeds, which have a long tradition in a number of global cuisines. Today poppies are only commercially cultivated in a few countries, rendering them an import commodity for every other country on the globe. Canada and all of North America import 100% of their culinary poppy seeds. These seeds come from a number of sources. The integrity of the supply chain from seed to crop to packaged product is always a critical aspect of food safety.

Supporting commercially viable domestic poppy seed cultivation as a food crop would ensure our supply chain in Canada and present opportunities for export. Although poppy seeds are mainly processed as a condiment, additional novel uses, such as high-quality food grade oil, animal feed supplements, biofuel, and cosmetic and industrial applications may also be developed. Annual global exports for poppy seed are approximately 250,000 tonnes with an average price of $3,300 per tonne. Our company has already received opening orders for up to 10,000 tonnes per year, but we cannot get products to foreign markets without Health Canada approval. More on that in a minute.

For its part, Canada is the only G7 country that does not commercially produce or process poppies. The opportunity to move into new crops and sectors is synonymous with economic growth and is aligned with the federal Minister of Agriculture's partnership strategy and the Minister of Innovation, Science and Economic Development's innovation strategy. Countries such as the U.K., Portugal, France, and Australia have all established commercial poppy cultivation. Surely we can match and compete with the success seen in these countries.

The economic benefits of poppy cultivation are clear: job creation, capital expenditure projects, value-added processing, and a positive economic multiplier effect. Commercial poppy cultivation represents an untapped potential for crop diversification, for economic growth, and for harnessing the power of agriculture innovation to increase Canadian exports.

Since 2007, API Labs has been working towards the goal of commercializing poppy cultivation in Canada. We have built an excellent R and D program, and since 2015 we've been on the cusp of commercializing our technology for the benefit of Albertans and Canadians—but here is our central challenge. The federal government is encouraging innovation with one hand, but with the other hand, in our experience, it has blocked our ability to commercialize our innovation.

For example, API Labs has received over $2 million in investment and loans from the federal government, including a repayable loan under the Canadian agriculture adaptation program that cannot be paid back without a commercial revenue stream.

We have also raised several times that amount from investors and farmers from the prairies who are eager to add poppy seed to their crop rotation, but since 2015 we've been struggling to get the necessary regulatory approvals from Health Canada for the commercialization of poppy seed cultivation. Health Canada has given us approval to conduct research and development in this sector for the last several years, but they continue to delay and deny approval for us to commercialize. Our current application is only for eight hectares, as a basis to eventually scale up our production.

We're really frustrated and disappointed at the lack of progress. Surely this government and all parties want to recognize the value of agricultural innovation to help include our small, medium, and large producers as champions in a global marketplace. Let us get the right policy mix here at home for our farmers and businesses and all Canadians.

To achieve a thriving domestic poppy seed industry in Canada, we would respectfully make the following three policy recommendations for your consideration in your report.

First, we need to encourage private sector partnerships with academic institutions.

● (1555)

Second, we should also introduce more innovative financing mechanisms for small and medium-sized enterprises to raise private capital—for example, flow-through shares.

Third and most importantly, we must create a clear and transparent approvals system for agricultural products that are covered by the Health Canada jurisdiction.

Thank you for your time. I look forward to your questions.

The Chair: Thank you, Mr. Metzler. You have a minute left.

I just want to make it clear. Is the regulatory difficulty for poppy seeds because of their cousin, the poppy?

Mr. Glen Metzler: Yes. If I talk to you about *Cannabis sativa*, that could be hemp or that could be marijuana, but we have regulations for those, for both. If I say that, you will ask, "Well, is that hemp or is that marijuana?", because the regulations are different.

With poppy seeds or poppies, the way the government has established it now is that it's the opium poppy. If I'm talking about a variety that has fewer than 150 parts per million of morphine, that's considered the same as a pharmaceutical variety that produces 2.5% morphine, yet there's no difference in jurisdiction.

When we speak with the Office of Controlled Substances in Health Canada, the response we always get is, "The regulations say 'opium poppy'." We say we're not the same. They're comparing apples and oranges, but they say, "Well, that's what's in the regulations, so that's all we can do."

● (1600)

The Chair: All right. I just wanted to clarify that was the roadblock.

Mr. Glen Metzler: Yes. Thank you, sir.

The Chair: Anyway, we'll go through the order for questions. Mr. Barlow, you have six minutes, sir.

Mr. John Barlow (Foothills, CPC): Thank you very much, Mr. Chair, and thanks to our witnesses for coming and participating in the study.

I want to start with Mr. Metzler and Mr. Mercer. You may have had a chance to respond to the chair's question, but the following issue has been raised many times during this study, and Mr. Wallener and Mr. McAlpine also raised it. It's that gap between being able to go from an idea and innovation to being able to commercialize.

One area is new crops. We talk about a $75-billion target by 2025. Certainly, Ryan, you could talk about how we never would have had pulses in southern Alberta 10 years ago, but now you have this opportunity. What's missing to get those new crops commercialized?

Mr. Ryan Mercer (Board Member, API Labs Inc.): I appreciate that, Mr. Barlow and Mr. Chairman. Coincidentally, my father was one of the founders of what was rapeseed back in his day in the 1960s and 1970s, which became canola.

We just see so much opportunity in agriculture. When you look at the various universities and government institutions and us, private development and innovation is so exciting, and that's what really makes Canadian agriculture different from other areas of the world. Of course, the next step after creating and innovating and doing research is to also take it to a commercial level. I just see so much opportunity to add to crop diversity and for additional revenue for farmers, but also there's processing. Why not grow that local home-grown food right here at home, as opposed to just importing it all from Australia and Europe?

Mr. John Barlow: Did you want to add anything to that?

Mr. Glen Metzler: Yes, basically the gist of it is that we do need to see new crop opportunities, and this is one that we can definitely move in that direction. It's not an easy process to take a product from research to commercialization. I think Mr. Wallener has also explained that it has been difficult for his company too. As you start to grow, you go through constant growing pains.

The issue is that it doesn't help when you don't have alignment within your government processes. I can understand why there may be concerns, but if the concerns aren't founded, then there need to be processes or understanding that these things could be moved forward in a way that works for everybody.

I'm not suggesting we don't have a safe, healthy food supply in Canada—

Mr. John Barlow: Right.

Mr. Glen Metzler: —and I think our government has done an excellent job with that, but there has to be an understanding that this is a continuing process that needs to be developed and that we need to work together more.

Mr. John Barlow: I found it interesting when you mentioned that you've had $2 million in government funding for this project over the last decade—almost.

Mr. Glen Metzler: Yes.

Mr. John Barlow: It seems odd that two levels of two different governments have invested in this but have blocked you from commercializing it. Can you expand on that? It seems counter-productive to me.

Mr. Glen Metzler: The Canadian agricultural adaptation program provided $450,000. In that agreement that we signed with the federal government, we were required to build a poppy industry. That was what we were told to do. We're in a position now where we're trying to fulfill the rights of the contract that we've signed with the federal government, but we can't move forward because the federal government won't give us the exemption so that we can fulfill the rights of the contract. We're caught.

The other program, IRAP, has been outstanding. They were the first to the table, in a very much similar situation. They came in and they saw the opportunity and they put some cash in. The $450,000 we received from CAAP helped us on our first raise. Based on that investment, we raised $3 million as a company, so it was key for us in going forward.

I think the agriculture department has done a great job with that program in seeing opportunity, but we need to somehow translate that right through to the end of the process so we can actually go commercial.

Mr. John Barlow: It's frustrating, I'm sure, for our farmers in that area who are looking at this as an opportunity. You've mentioned that the United Kingdom, France, Australia, and Portugal all have thriving industries with this.

Mr. McAlpine, maybe we can talk about front-of-package labelling in a bit, but what are some of those countries doing? What are their regulatory regimes? What are they doing that works and that we aren't?

● (1605)

Mr. Glen Metzler: Europe doesn't even require licensing for poppy cultivation. Anybody can grow it, wherever they want. In fact, the U.K.—

Mr. John Barlow: I've been around France, and it's growing there.

Mr. Glen Metzler: Yes. There are about 6,000 hectares grown about an hour north of France. The Czech Republic was at about 40,000 hectares. There is no licensing requirement in any country. Australia does have some licensing. The U.K. grows poppies, and you're not required to have any licensing unless you're going to process it into narcotic products.

In Canada, again, we're in a situation where there are very few countries that actually look at the seed market; they don't consider it an issue because you're not even going into the pharma side. Also, most countries that grow it on the pharma side don't even have regulations, because until you process that product and try to extract the alkaloids from the poppy they don't see it as an issue either.

Mr. John Barlow: That's right.

Mr. Glen Metzler: We're really caught in this framework where it's seen as a risk, whereas I'm sure the people in the rest of the countries are scratching their heads and laughing because we're losing this opportunity.

Mr. John Barlow: I only have about 30 seconds left, but maybe, Mr. Mercer, you can mention what the opportunity is that we are missing here on the farm side. What is this commodity worth if we are able to finally get this done?

Mr. Ryan Mercer: We jump at the opportunity to add another crop into our rotation, whether it's a spice, a pulse crop, or an oilseeds crop. Speaking personally, at Mercer Seeds we have a seed-cleaning plant on the farm. We clean, package, and export various pulses and oilseeds to Asia, the U.S., and Europe. I know that a lot of my colleagues do the same thing.

I think that's what's really exciting for the new generation that's taking over the farms: to see the optimism and the opportunity in Canada and to see what has happened. We have really been on the forefront of these things, but after a decade of trying to grow poppies, it seems very frustrating. We've put money, time, and multiple trips to Ottawa into this. It's very frustrating, but I think there's a lot of opportunity, and if we can have Agriculture's full support, we can move forward on this.

The Chair: Thank you, Mr. Mercer.

Before we move on, I want to welcome the Honourable Peter Kent, who is replacing Monsieur Berthold.

Welcome to our team.

Mr. Longfield, you have six minutes.

Mr. Lloyd Longfield (Guelph, Lib.): Thanks for your three very interesting presentations.

I want to pick up on a comment that Mr. McAlpine made on the automotive industry. I've worked in Maple Leaf plants in different parts of Canada on automation applications. I worked on the old Canada Packers plant. The Canada Packers head engineer once said that I should think about the plant as a disassembly plant instead of an assembly plant, and figure it out from there. Starting on the fourth floor you have a cow, on the bottom floor you have hot dogs, and in-between you have steaks and other things coming off the line.

We've looked at automotive assembly plants as a key industry in Canada, and we haven't paid the same attention to meat processing. In terms of the factory of the future, "Industry 4.0", where does Canada sit in terms of introducing new technologies to disassembly plants versus assembly plants?

Mr. Rory McAlpine: There's a lot in that question.

Mr. Lloyd Longfield: I know.

Mr. Rory McAlpine: I guess the first point I would make is that the critical ability to move to that factory of the future and apply the industry 4.0 technologies is to have competitive-scale plants. We do, in the case of our Brandon slaughter plant, as an example. Meat processors such as Cargill and Olymel also have fairly large plants. In our case, in our Brandon plant we've begun a whole project of application of IoT, the Internet of things, such as putting in sensors to better monitor yields and even water and energy use and that sort of thing.

There is a limit, though, because at the end of the day, at least with current technology and robotics, there is only so much you can do with a live animal through to ground meat. A lot of hands-on labour is required. We've applied more of that at the front end, but the fine trimming and the deboning in meat processing is really where the value comes in. The more you can portion, cut, trim, and cut something to spec, now you have real value.

At the moment, our biggest challenge in getting there is labour. Yes, we'd like to automate more, but in those functions, at least with current technology, it is very hard. The problem is that you apply the labour and the technology as you can at the front end, and you leave undone that value-adding in the latter stage of the process, which is where the profit most often can be found. There are a number of challenges in that. As I say, it's a question of adapting technology, but it's also about making sure we have adequate labour. That's the trouble.

● (1610)

Mr. Lloyd Longfield: This committee travelled to Guelph and went to the Cargill plant. We saw the finishing line and how labour intensive it was. We saw the numbers and numbers of people working on that line. You could tell that there were a lot of people from outside Canada: new Canadians, with different languages being spoken.

What we didn't see was the kill line. We didn't see the conveyor system and the management of the conveyor, and the process for dehorning and de-limbing. There are some processes that are highly automated on the other side of the line.

Mr. Rory McAlpine: That's right.

Mr. Lloyd Longfield: Is that something we've tapped out, or is there an i4.0 that we could apply to the top part of the operation?

Mr. Rory McAlpine: There are probably more things to do even in terms of digital, monitoring, and adjusting the process to the varying changes in the animals as they come into the process, but I guess the one comment I would make is how capital intensive this is. Part of what I was trying to argue in my opening comments was to say that while we want to go further into the future—the bleeding edge of technology, if you will, in the Internet of things, robotics, vision grading, or what have you—you need to have scale and competitive plants to be able to do that.

Mr. Lloyd Longfield: That's right.

Mr. Rory McAlpine: That's where we're falling short. The capital required to build a scale plant today in Canada in food is enormous, and it is absolutely 25% higher to do it in Canada versus in the U.S., and we have to do it in a completely free trade environment. That's the stress that's killing us. We want to go further, but we have to be able to be competitive before we can be innovative.

Mr. Lloyd Longfield: Thank you. That's interesting, particularly in terms of the conversation with Mr. Wallener beside you.

You're starting up and you have the same issue of scalability and getting into scale. You mentioned IRAP, Mr. Wallener, and Mr. Metzler also mentioned IRAP. There's new IRAP programming that we introduced in the latest budget, which will take funding up to $100 million instead of $10 million, to try to get us through the valley of death and through the scale-up. InnovationCanada.ca is there to try to help you access funding; I'm not sure whether you've worked with or recognize Bioenterprise in terms of helping you get connected to funding.

How is that whole infrastructure now working for you? Is there any change in the last year or two?

Mr. Damir Wallener: That's interesting. Actually, could I just touch back on something that Mr. McAlpine mentioned in his response in terms of vision grading?

Mr. Lloyd Longfield: Please go ahead.

Mr. Damir Wallener: We have a close working relationship with Cargill. It has some interesting facilities in the U.S. As an example, it recently brought in a very bleeding-edge technology on a pilot basis to one of its plants in the Midwest. That pilot is going to be exclusive to Cargill because Cargill has the ability to make it exclusive, which means that Maple Leaf doesn't have it.

Mr. Lloyd Longfield: I'm sorry. With only a few seconds left, I have to interrupt with a quick question. Do you own the IP?

Mr. Damir Wallener: Yes, we do.

Mr. Lloyd Longfield: That's been your protection so far...?

Mr. Damir Wallener: Yes. In fact, I was just editing our latest batch of patents: 46 pages and nine individual sets of claims.

Mr. Lloyd Longfield: That's great, and we have new IP policy to try to help with that.

The Chair: Thank you, Mr. Wallener and Mr. Longfield.

Mr. MacGregor, you have six minutes.

Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP): Thank you, Chair, and thank you to all of the witnesses.

I want to start with a comment for Mr. Wallener, who comes from the Cowichan Valley and whose success story many of us have been watching very closely. It's putting the little Cowichan Valley on the map. I remember that when we were in Guelph talking to Bioenterprise, I started with a description of your company, and they said, "Yes, that's one of our clients."

I think this idea came to me when considering you as a witness. We hear a lot about these organizations that do take government and private sector funding, but we hadn't heard from the companies that are actually taking this journey, as you are. You quite rightly pointed out that it's really in the incubation and validation stage that we're starting to lose companies. I wonder if you could expand a little more on that.

We have heard a lot from Bioenterprise. Given the way that organizations like Bioenterprise are currently working, we ultimately want to make a very clear recommendation to the government, so in the context of how it's already operating, can you expand a bit on what more we should be doing specifically?

● (1615)

Mr. Damir Wallener: I would be delighted to.

We first met with Bioenterprise in about March. You can see in our timeline that we were already essentially funded at that point. The interesting thing with Bioenterprise is that we came to that meeting with a deeper and broader network in ag-tech and food-tech and the investment community than they had. This is not to say that they're not good or anything like that. I mean, they have constraints that they must work within.

We commonly in Canada refer to organizations such as Bioenterprise as "accelerators". This is a non-standard use of the term. An accelerator provides funding, and Bioenterprise does not. Also, Wavefront—recently departed—does not. Essentially, in terms of our entire federally supported accelerator network scheme, they're not actually accelerators.

When we are approached by an accelerator in the U.S., they not only introduce us to their network, but they give us money. As soon as you give somebody money, it creates a subtle or not-so-subtle obligation and pressure. As well, money leads to more money. We have offers on the table for matching funds from organizations in the States that are like Bioenterprise—basically, organizations supported by local and regional governments that will match dollar for dollar everything we raise in the private sector.

Now, we have not taken those, because I'm really good at bluffing and getting them to give us what we want without giving them what they want, but the reality is that there are Canadians all over the U.S. We are everywhere, especially in technology, and in anything to do with agriculture as well. That happens because there isn't enough to hold companies here long enough to set that taproot. All our customers are going to be in the U.S. in the first wave, but we can stay here because, number one, we have the money, and, number two, we were able to get our core team built in Vancouver Island to a kind of critical mass that it now becomes difficult to move. The support and all the other stuff can happen and will inevitably happen, some of it in the U.S., but that core team is now rooted.

The problem is that if you can't get that root tapped, they're going to go. It's like when you send a kid away to college. If you're from a small town, unless you have that taproot, that kid is probably not coming back until they're 40 and they have their own kids, right? You want to get them at that growth stage, because that's where the big bang for the buck is.

Mr. Alistair MacGregor: Given where you are right now and the promise that the future potentially holds, I think we all salute your patriotism and the fact that your group really wants to stay in Canada. But if we have government policies playing the cards right and you have stakeholders there, what does the ideal Canadian future look like for EIO and other companies in your situation as we try to achieve that $75-billion goal? You've already stated in your opening remarks that mastitis is a $14-billion-a-year problem for the worldwide dairy industry.

Mr. Damir Wallener: Yes. Are you more asking about what sort of policy adjustments are needed?

Mr. Alistair MacGregor: Or just what does it look like for your company in Canada? How will the exports of your technology help us achieve this kind of goal?

Mr. Damir Wallener: We are looking at somewhere between $300 million to $400 million of revenue down the road if everything executes correctly. The challenge will be that we have already received one acquisition offer, which we've declined. At some point an offer is going to come in that's difficult to decline.

In my mind, there's no question that five to 10 years from now what we are doing in terms of diagnostics is going to be standard practice. As long as we keep moving, stay first, and stay agile, then we will own that space, and that is literally hundreds and hundreds of millions of dollars in potential revenue.

Mr. Alistair MacGregor: That's great. Thank you.

Mr. Mercer and Mr. Metzler, you've talked about the tug-of-war between the regulatory environment and the push for innovation. I assume these are both happening within Health Canada.

Mr. Glen Metzler: Yes.

Mr. Alistair MacGregor: Yes, and that's the unfortunate thing. That's a department where the right hand and the left hand don't seem to be talking to each other too much.

Mr. Glen Metzler: No. I guess the thing is, though, that when you have a contract with the agriculture side and the funding comes from the agriculture side, but the ultimate decision comes from the health side, you're in a position where your hands are tied. We can't move forward without something breaking.

● (1620)

The Chair: Thank you.

Mr. Glen Metzler: So if we're not going to get the opportunity to move forward in Canada, then what other options do we have but to leave?

The Chair: Thank you, Mr. Metzler.

Thank you, Mr. MacGregor.

[*Translation*]

Mr. Breton, you have six minutes.

Mr. Pierre Breton: Thank you very much, Mr. Chair.

I want to thank the witnesses for being here today.

I have a more general question.

The Canadian Agricultural Partnership has a $690-million budget to support growth in innovation and the environment in the agriculture and agri-food sector.

I would like your opinion on something I consider quite important: cooperation between industry, government, and academia.

All aspects of research and development lead to innovation and can increase exports. We are here in part to work with industry to increase our exports to reach $75 billion by 2025.

Tell me about that cooperation, which could be promising. We want to hear from experts like you as part of our study.

Perhaps you can answer one at a time.

Let's begin with you, Mr. Wallener.

[*English*]

Mr. Damir Wallener: Literally today, the main part of my team is at the UBC research barn in Agassiz, in the Fraser Valley, starting a long-term collaboration with the University of British Columbia's dairy department. This is our first, and at the same time we are submitting a proposal to the investment agriculture foundation related to follow-on work from this as well.

In general I can't say that I have significant complaints about the programs. Everything seems to be going well.

The one place where we do get caught a little bit is that we are essentially exporting a technology as opposed to a product, and so when we submit our proposals and they call for travel, our travel is generally outside the country but only travel inside the country is supportable under the programs. This is not a complaint; it's just an observation. We can work around this easily enough.

Yes, in general we value our university, our academic collaborators. They provide tremendous value. Our experience has actually been very, very positive under the programs you've mentioned.

[*Translation*]

Mr. Pierre Breton: Mr. McAlpine, do you wish to respond?

Mr. Rory McAlpine: Yes, that is a good question.

Cooperation between industry and academia, among others, is absolutely essential.

I can tell you my opinion on cooperation within the industry itself. Competition is fierce in the food processing sector. The potential profit is minimal in this sector, so the trend is to compete fiercely with other companies. We do not have a spirit or culture of cooperation on highly competitive issues such as food safety, the environment, and sustainable development. These issues create a great deal of pressure. We need to work together to find solutions, but we do not have that spirit of cooperation.

That is why it is difficult for the government to work with us. We are not comfortable collaborating with and receiving investment from the government. The government wants us to share our results. We have to make a greater effort in that regard.

Mr. Pierre Breton: If I understand you correctly, you are afraid of having to disclose information that could also be useful to your competitors.

● (1625)

Mr. Rory McAlpine: That's right.

Mr. Pierre Breton: Mr. Metzler, do you have anything to add?

[*English*]

Mr. Glen Metzler: Yes, thank you. Basically, we have also noticed what Mr. McAlpine mentioned. We've worked with the University of Lethbridge. We've been in consultation with the University of Saskatchewan as well on projects. Effectively, there is that very squishy space, I guess you would say, where you have to be very careful about what's being disclosed, because it is a competitive industry across the board. You definitely want to....

I think the brain power our universities have is excellent and gives great opportunities for collaboration, but the problem is—well, I don't know if it's a problem—that, from an industry perspective, they're always wanting to publish papers. The intellectual property that's created within that framework has to be identified and secured before those things happen. It can work, but there has to be collaboration, and there has to be an understanding.

As for the understanding, in the experience we've had where the situation has worked the best, those parameters were established before the project began.

[*Translation*]

Mr. Pierre Breton: Thank you very much.

The Chair: Thank you, Mr. Breton.

[*English*]

Thanks, Mr. Metzler.

I think, if everybody agrees, we're going to attempt to do the full second round, which would take us to 4:52, roughly. Is everybody okay with that? We'll have about 35 minutes to do our business. Are we okay with that? I will hold you to your time, so be prepared.

Our next questioner will be Mr. Peschisolido for six minutes.

Mr. Joe Peschisolido (Steveston—Richmond East, Lib.): Mr. Chair, thank you.

Witnesses, thanks for coming. This was helpful to me because it wasn't all "rah-rah". You are actually saying there are some problems; there are some issues; there are some impediments.

I'd like to follow up Mr. MacGregor's questioning of Mr. Metzler.

Perhaps you can continue. You were talking about funding coming from Agriculture but the regulations being under Health Canada.

Mr. Glen Metzler: Yes.

Mr. Joe Peschisolido: If there were problems, I think you were implying or were about to state that you'd leave and go somewhere else.

Mr. Glen Metzler: Yes.

Mr. Joe Peschisolido: Maybe you can elaborate a little bit about how you would deal with the problems. You're dealing with them from the private sector side, and you're trying to get some funding and have a market. We deal with it from the government side. If you were a guy in the government from both Health and Agriculture, what would you do to facilitate things, to make it easier?

Mr. Glen Metzler: There's a bit of an issue when you're dealing with a food crop and it's under the purview of Health Canada. We're effectively the dolphin in the tuna net here. I can understand if they're after the pharmaceutical aspect of it and they want to control that. That makes sense. Then for us, because of the lack of regulations that separate the two industries, we're in a situation now of having to provide the information to them to gain an answer. I've been told several times by department officials, "Well, Mr. Metzler, we only look at this through a very narrow lens." Their lens is basically from a risk perspective. They're not seeing the agricultural or the economic benefit because, in their opinion, that's not included in their decision-making process. That makes it very difficult when you're trying to build a business based on agricultural products in a Health Canada atmosphere.

Mr. Joe Peschisolido: You were talking about your experience or what you see in Europe. I believe it was in France.

Mr. Glen Metzler: Yes.

Mr. Joe Peschisolido: We're in the process, hopefully, of finalizing our deal with the European Union. What can we learn from France and the European Union?

Mr. Glen Metzler: I think that having less regulation in areas where it's not needed is a wiser approach than having more regulation. One great saying is, "Why let a bad policy get in the way of a good idea?" That's how I feel some days, that we have this great idea but we have this bad policy, so we'll continue to enforce the bad policy to stop the great idea. That's not innovation.

We need to look at how we move this forward in a way to create those opportunities. If you look at what Europe has done, a lot of times they say that until it becomes a concern or a risk, why would we even have our fingers in that pie? If we could have that adapted, that would be great. Maybe that's idealistic—it probably is—but for us to move forward, I think that if we had Agriculture at the table when these decisions are being made so that both sides would be represented, we'd be in a much better place.

● (1630)

Mr. Joe Peschisolido: Okay.

Mr. Wallener, I too say congratulations. Obviously Mr. MacGregor has, perhaps, a deeper connection to you.

I was intrigued while going through your information. You're on four continents, yet you were talking about the importance of $70,000. That's a kind of disconnect, where you look at this and think, "Wow, this is a huge company doing phenomenal things", yet you were talking about the importance of $70,000.

Mr. Damir Wallener: Yes.

Mr. Joe Peschisolido: Can you elaborate a little bit on that?

Mr. Damir Wallener: Sure. Someone once said that a mosquito is the most powerful weapon in the world because all it has to do is sit there by your ear and buzz and eventually you will go nuts. It's not just the number of zeroes in a number. It's the timing. In that case, at that point in time, we were at a really delicate point. We'd had strong offers: "Please come here and stay here", and because we had that $70,000, we could say no. We knew we had that backstop, and by being able to say no.... This is a roomful of politicians, and you know that sometimes your strongest tool in a negotiation is the willingness to walk away.

We would not actually have walked away. I do have a tendency to bluff, but we said no, and by saying no, in our industry there is something called FOMO, fear of missing out, so we started creating this impression that, "Wow, they're able to say no. We have to be part of this". Therefore, that $70,000, while it is a small number, cascaded. When IRAP came in—and we have an additional relationship with the Ministry of Agriculture in B.C., which I'm not quite at liberty to talk about—that gave us, at the next stage of our evolution, another means to say no. We could say that it would our terms, or no.

We were able to leverage all of that into private investment with minimal strings attached, though there are never no strings attached.

Mr. Joe Peschisolido: Mr. Wallener, just like Mr. Metzler, you talked about other examples or jurisdictions. I believe you mentioned Australia and Portugal. What could we learn from them, both as a government and in terms of helping the private sector?

Mr. Damir Wallener: For me, the most important thing to keep in mind is that if you look at a map, there are borders everywhere. When you are in a business, especially something that is everywhere, like food or agriculture, those borders don't really mean that much and people will cross them if the rules on one side of the border are problematic and less problematic on the other side.

The Chair: Thank you, Mr. Wallener.

Mr. Dreeshen, for six minutes.

Mr. Earl Dreeshen (Red Deer—Mountain View, CPC): Thank you very much, Mr. Chair.

Thank you to our witnesses today. Certainly we have the start-ups, as well as companies that are already established but are just waiting their turn on the Health Canada regulations, and that have certainly been around for a long time and are innovative, like Maple Leaf Foods. It's great to have this type of cross-section in the agricultural community.

I want to talk more about the competitiveness theme. Some of the discussions have focused on how much research dollars are available that we can match, and how we have this problem of Canadians actually investing on their own. Having gone to Germany a year or so ago, one thing they talked about was the fact that Canadians, as far as taxpayers are concerned, have allocated the same amount in terms of GDP per capita as Germany has done, but that we can't get others to invest with us. That is sort of the discussion, Mr. Wallener, that you were talking about: how do we get Canadians there—and we do see folks coming in from the U.S. taking a look.

I've mentioned at other times where I think this is coming from and the reasons for it. Part of it is that sometimes in Canada we have companies that say, "If we can bump this up to $4 million or $10 million, then maybe we'll take a look at some of the offers we have from other countries". You mentioned, Mr. Wallener, that this becomes one of those issues of concern, that you'll go out there and get investors who will come in to be part of it, and then all of a sudden there is that added pressure.

How do you feel that we can address this? How can we ensure that we have more Canadian content in this, and is there some sort of protection that would be important for small start-up Canadian companies?

Mr. Damir Wallener: That's a big question. This is obviously coming from my personal perspective. If there were some way to shift some of the abundant support from the federal government from later stage to earlier stage, that would help. Especially if you're more technology focused, once you get to that core team of anywhere from five to 10 people, that starts to become an object that's difficult to move—not impossible, not super difficult, but it gives you a chance. Like there's a nucleus there that is frustrating to move. Vancouver and Silicon Valley aren't that far away physically but they are a long way apart culturally. If you can keep that first step, then you have a much better chance of retaining the long term.

I would also point out that when we lose college graduates, that is an enormous sunk cost that has just left the building, and it doesn't generally come back for a long time. So yes, I would move support from later in the business development to earlier—not all of it, because these gentlemen could also use some support. I don't want to take everything away. On one of the last slides I actually walked through an example of what the dollar amounts would be to perpetually seed another generation of young companies, but there has to be a willingness to understand that 90% of them are not going to make it. If you're used to thinking in terms of a cost, that could be a problem.

● (1635)

Mr. Earl Dreeshen: To end the discussions with Maple Leaf, Mr. McAlpine, and Mr. Metzler, I know the key component is the regulatory burden. I know certainly with the Health Canada issue, they're not really looking at it from the perspective of the grower; they're looking at it from the perspective of the protection of consumers and so on with regard to pharmaceuticals. I hope the statement you went through, kind of explaining where the rest of the world is, will become a wake-up call, because that has been the key problem—getting overseas investors coming into Canada. The one advantage, when we are talking with people from other places in the world, and they say that maybe they won't come for oil and gas, and maybe they won't come for this is that agriculture still has a window there. But then they start looking at all of the other costs and all of the things that are associated with it, and they get nervous. With grain we had the transportation side. You get to the stage where you don't feel as though there's consistency there, and the same thing goes with many other things such as the seed regulations and so on. Are there specific regulatory changes that we could be looking at that would make it easier for you to speed your way through it?

Perhaps, Mr. McAlpine, you might have insight on that.

Mr. Rory McAlpine: Actually, I'll take it up a level beyond regulations: what about legislation? The point we discussed earlier about the conundrum within Health Canada to try to deal with a regulator who's looking at it from the perspective of drug safety and protecting Canadians in that context, to me this all starts from the fact that we're trying to regulate the food industry, fundamentally, on the basis of the Food and Drugs Act. It's literally a hundred-year-old piece of legislation at its core. It was created in an era when the biggest issue of concern in food was adulteration. It was built in an era when with the technology and the risk factors at the time it was perhaps appropriate to combine food and drugs and medical devices in one statute.... Bear in mind that it's criminal law as well.

The Chair: Thank you, Mr. McAlpine. I'm sorry but I have to cut you off. You might have another opportunity.

[*Translation*]

Mr. Drouin, you have six minutes.

[*English*]

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Thank you, Mr. Chair.

Would you like to finish that point actually?

Mr. Rory McAlpine: My argument is that the best thing we could do first and foremost would be to create a Canada food act. So separate all the critical issues that are associated with the regulation and the safety of drugs and medical devices, and that kind of zero-risk tolerance, if you will, that of course is so critical to health and safety in the context of pharmaceuticals and so on; but recognize, perhaps not in criminal law but in a new enabling statute that the food industry is fundamentally different, that it has a different set of risks and opportunities. We need legislation to enable innovation. We need to actually create a piece of legislation that would set as one of its legislative goals not just the protection of food safety, but to do so in a way that enables innovation. We're trying to build regulations on what to me is a rotten foundation of a very outdated piece of law in this country. Ironically we've replaced it, on the inspection side, with the Safe Food for Canadians Act, which is very modern, progressive, and risk-based, but we're doing inspections against a piece of legislation that is very old and outdated.

● (1640)

Mr. Francis Drouin: On that point, Mr. McAlpine, how do you deal with Europe, which is against GMOs completely for human consumption? How do you deal with other jurisdictions that are saying, "We're not going to look at science-based evidence. We are going to go with what the people think is wrong for human consumption." How do you regulate those particular issues, and how does Canada position itself as advancing a science-based, evidence-based regulatory framework?

I understand that obviously government is not the fastest innovator in the world. We do need to innovate more quickly when it comes to innovation, but there are some issues in other jurisdictions as well where they seem to go with "GMOs are bad for people", even though that's not true, or they say, "It's bad for human consumption" and they just completely ban it, which is causing some issues for our producers here in Canada.

Mr. Rory McAlpine: This is where obviously I believe Canada does follow the right path of science-based regulation, although in this case where you have regulation in, say, approving poppy seed, it would seem like there is something awry in the way the regulation sets it out. But obviously, I would entirely support the premise that Canada leads in science and finds allies globally through international standard-setting bodies, and is prepared to litigate or go to the WTO when countries impose technical trade barriers that are not grounded in science. It's certainly critical in the meat industry that we maintain that.

I agree, and I have to say that with CETA, notwithstanding what is obviously a very positive potential new trade agreement, there is still too much evidence, in my view, that the European precautionary approach is going to disable some of the benefits because there is a continual move to set a standard that isn't science based.

Mr. Francis Drouin: Mr. Metzler, I'm curious to find out.... You said you had a discussion with Health Canada and that Health Canada said, "This is what the regulations are." Have they said, "We're willing to change the regulations if you help us identify some of the issues." Has that conversation happened?

Mr. Glen Metzler: We've applied for an exemption, so technically an exemption would be outside the regulations. The minister may, under the terms and conditions the minister deems necessary, exempt any person or class of persons if it's for the growth of poppies for.... Sorry, I forgot the regulation. I had it memorized at one point.

Basically, if it's for scientific, health, or otherwise in the public good, that's the way the exemption request is made under section 56 of the Controlled Drugs and Substances Act. Based on that, we're basically saying that this is under the public good, because food is not included in that so this would be saying that food is obviously part of the public good discussion.

As far as the regulatory side is concerned and trying to break that out right now, that discussion has never gone forward. It's something we could consider, but I think then you're probably looking a several years before that would happen and we've already been at this long enough that we need to see some movement forward in this direction on the commercialization.

If they were to grant the exemption, then typically once you have enough interest from that perspective, they do put regulations through once the industry is established. That's how they did it with the hemp industry, for example. It started out with an exemption and then the regulations were added.

Mr. Francis Drouin: Yes.

Mr. Glen Metzler: What we're saying is that it is great, but we still need to see the exemption come forward from the minister first for our initial eight-hectare commercialization process and then scale that up.

Mr. Francis Drouin: Okay, great.

Mr. Wallener, I assume you did have to go to the U.S. for seed funding and whatnot.

I'm just curious to find out, did you try to find any investments or capital investors in Canada? That's one complaint that we hear often from Canadian start-ups. Do you have any tips on how we promote, or how we allow potential investors to move forward on that?

Mr. Damir Wallener: I have no idea.

About 10 years ago we sold our first start-up. It was in Vancouver, with primarily Canadian investors over a period of time. Investors walked out with basically a sixfold return. The core team went back to that same group of investors two years later with a new project. These are the investors we'd just made a lot of money for, and not just for them, we did okay, too, but—

● (1645)

The Chair: Thank you.

I have to cut you off. Sorry about that.

Mr. Francis Drouin: We'll speak off-line.

The Chair: It's our five-minute round.

Mr. Barlow.

Mr. John Barlow: Thanks very much, Mr. Chair.

I couldn't agree more with Mr. McAlpine and Mr. Drouin on the need for science-based decision-making, but I think one of the concerns we have right now is that if we're going to do that with our partners in CETA, I would argue that the Government of Canada has to be at the leading edge of it. We have to put our money where our mouth is, so to speak, and back it up.

I wanted to have the opportunity to bring this up. Right now, I don't think that we are making science-based decisions. I would say that front-of-pack labelling is one of those examples. You've talked about the regulatory regime. I would say that one of the reasons why Canadian investment is scared off is that bureaucracy, that regulatory regime.

Can you talk a bit about trying to bring in investment and looking at accessing new markets and what a new regulation such as front-of-pack labelling does? What is that going to do to our opportunities here?

Mr. Rory McAlpine: It certainly is problematic, not least in terms of timing.

Bear in mind what this is. It's very much a technical trade issue, a barrier that actually will disproportionately affect packaged U.S. consumer goods sold in Canada. That's many billions of dollars. At a time when we're of course trying to salvage NAFTA and are on the verge of a trade war, we should not, in my view, be doing things—at least at this point in 2018—that could create further friction in the trade relationship.

But I think there's an important point here. While nobody in industry would dispute at all the importance of the healthy eating strategy of Health Canada, the goals, and what was up till recently a multi-year history of partnership with Health Canada in promoting nutrition literacy.... We led the world in a collaborative way to put nutrition facts tables on food in Canada. We have been a driver of the best nutrition guidance in the world. Somehow we let this get away from us, to where we have now a suite of regulatory actions that do seem to be out of step with that collaborative approach.

As you point out, just as we're launching this ambitious export goal for the industry.... We've embraced agrifood, the strategic innovation fund, and the mandate of ISED, and we have all the recommendations from the Barton report around growing the industry, but we seem to have a disconnect and a lot of friction around this among departments in Ottawa, frankly, which I think we do need to solve, because it's making it very difficult to understand where we should be investing in that situation.

Mr. John Barlow: I think that's a good point on the timing side of it. I don't think any of us would disagree that a healthy food strategy is a positive. It's something we should follow, but we need to ensure it is based on good science. To me, it does give that mixed message, right? We're trying to tell our trading partners, whether they're in CETA or the United States, that we would really like them to buy our great products, but we're telling Canadians that these products are actually unhealthy for them. If I were Italy, for example, I'd be saying, "Why should I buy that if you're telling your own residents not to buy it?"

When it comes to the food guide and the front-of-pack issue, would your suggestion be to just slow down? Would it be to look at this a little further? As a health issue.... I know that I have letters from hundreds of health professionals who are saying that this is not based on up-to-date science, that we need to do additional work on this.

Mr. Rory McAlpine: Yes, I think so. Also, I think it's important to look at the solutions. For example, one—just one—is the SmartLabel digital platform. The world is going digital. As for this idea that you inform consumers based on a narrow bit of space on a label in terms of what they need to understand, with the digital environment, of course, people are getting far more information from other sources.

SmartLabel is a QR code or bar code scan that could instantly give you all of the nutritional information, but a lot more too. For example, if you're lactose intolerant, or if you want GMO-free produce or whatever, it can all be enabled through digital platforms. That exists now. We're going to pilot it in Canada this year. It's industry that is leading the charge, giving consumers choice, and not trying to lock it into a regulation.

To go back to the regulatory, how are you going to enforce? I think government takes this on, but the challenge of enforcing now is across thousands of food products, imported and domestic. I don't think Health Canada has realized what they're biting off here in terms of an enforcement challenge.

Mr. John Barlow: Really quickly, Mr. Metzler and Mr. Mercer, this is the same sort of question. It just doesn't seem that we're making decisions based on due diligence and good science. Obviously, you would share that. I saw that with your passing around of the bag of poppy seeds. That we're regulating this as a harmful product just doesn't seem to make sense.

● (1650)

Mr. Glen Metzler: Yes. I think we have too much of a silo effect in Ottawa. It would really be helpful if the departments were all on one page. You have this situation where you're running around between departments. When we come here, we have to go to see Public Safety, then Industry, then Agriculture, and then Health Canada, all about the same thing: just to grow a poppy. I understand that all these departments have some say. They all have some interest in how we're moving, even the international trade department, so—

The Chair: Thank you, Mr. Metzler.

Now, Mr. MacGregor, go ahead for three minutes.

Mr. Alistair MacGregor: Mr. Metzler and Mr. Mercer, my wife is from Tasmania. The first time I was there, I remember travelling in the north of the state and being absolutely amazed as I saw growing there thousands of acres of opium poppies spreading off to the horizon, separated from the road by little more than a barbed wire fence and a warning sign.

Mr. Glen Metzler: Yes.

Mr. Alistair MacGregor: There are no mass thefts of opium poppies. The state government has made it quite a lucrative industry. I believe Australia provides half of the world's legal supply.

I know you want to get into the culinary aspect, but in the short time I have, I was wondering if you could maybe tell us about some of the lessons we can learn from other jurisdictions. Also what is the potential we're looking at? Poppies, as a plant, do not need a lot of inputs. They are a pretty hardy plant; they can look after themselves. In terms of selling culinary seeds, the oils, and other value-added products, really what is the potential we're looking at if we can get your industry off the ground in Canada?

Mr. Glen Metzler: Basically you're looking at an industry in which the seed is about three-quarters of a billion dollars, so it's substantial. It's not small.

Australia was the poster child for the development of this industry. They started back in the 1960s. When GlaxoWellcome or GlaxoSmithKline was first interested in growing poppies, they wanted to grow them in Europe, in the U.K., and the climate was too wet, so they went to Australia. The mainland wasn't interested but Tasmania said, "Pick me, pick me", and it became a state industry for the province. It has been a huge success, and in the last three years, they have actually expanded production of poppies from Tasmania. They are now growing in three more states in Australia as well.

They produce over 50% of the alkaloids used for pharmaceutical production worldwide, but from the seed perspective, their seed is also going in—and in fact the bag of poppy seed bag that's been going around is probably poppy seed from Australia. We'd like to change that though.

Mr. Alistair MacGregor: Thanks, Chair. I'll end there.

The Chair: I think somebody ate it all. It never made it here.

I'm just kidding.

Mr. Ryan Mercer: There's one here. I'll bring it to you.

The Chair: No, that's fine.

On that note, we're going to end this interesting session on both the opportunities and the challenges with growing our exports to $75 billion.

I want to thank Mr. Wallener, Mr. McAlpine, Mr. Metzler, and also Mr. Mercer for being with us today.

We will suspend this portion for two minutes, and then we are back in committee business.

[*Proceedings continue in camera*]

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